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Special Section: Test marketers on target

Why sales forces are putting lap-top computers on hold

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MARCH 11, 1985

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COMPENSATION

New account-ing of commissions

With annual revenues in excess of $10 million, sales of office supply products at Schwabacher/Frey, Emeryville, CA, are steady. But last fall, Stephen D. Flax, president of the 80-year-old, family-owned business, decided he should be doing even better.

His account base was around 3,800 but potential customers in the nine-county, 90-mile-radius his business serves number 185,000. There are 500,000 companies within his sales area in northern California but he targets only those with 10 to 150 employees.

In September, he adopted a sales and marketing plan developed by Omnigistics, Salinas, CA,—direct mail coupled with a new accounts bonus program for his sales team.

Using a new commission formula based on variable gross margins, Flax rewards his 24 salespeople and two commissioned telemarketers with up to 125% of the old commission rate for opening eight or more new accounts. In a given month salespeople must open at least three new accounts to receive full commission. Those who bring in only two new accounts a month receive 96% of the former commission structure and those who sign up no new customers earn 85%.

"In order for the salespeople to earn what they had earned before," explains Flax, "they have to open three new accounts. If they open more, they earn more than they earned against the same business prior to the new plan. If they open less than three, they earn proportionately less."

The results have been better than Flax anticipated—100 new customers a month and a 4% improvement in gross profits. In the last three months of 1984, 450 new customers were brought in.

"That number of new accounts in that period of time," says Flax, "equals what previously took us two and a half years to accomplish."

Flax tied commissions to new accounts and landed 450 new clients.

S&MM SALESGRAPH

Modest expectations for consumer electronics

Sales of consumer electronics will decelerate for the third straight year in 1985, growing only 9.2%, to $24.9 billion, vs. 9.6% in 1984, 23.8% in 1983, and 34.4% in 1982. However, projections made by the Electronic Industries Assn.'s consumer electronics group show that unit sales of some of the newer favorites will continue to run up double-digit gains.

Compact disc players are expected to post a 78% increase this year and videocassette recorders (VCRs) a 30% upsurge. In fact, VCR sales, at 9.5 million units, may equal tape recorder sales for the first time. Last year, tape recorders outsold VCRs 10.5 million to 7.3 million. Strong contrasts will characterize the telephone sector, where answering devices will enjoy a 33% gain as cordless telephones slip 2%.

1985 outlook for selected consumer electronics

Product	1985 Shipments (Thous. Units)	% Change 1984–85	% Household Penetration
Color TV	15,900	+ 0.6%	91%
Videocassette recorders	9,500	+30.1	17
Tape recorders	9,500	– 9.5	N.A.
Cordless telephones	6,200	– 1.6	10
Home computers	6,000	+17.6	13
Telephone answering devices	4,000	+33.3	5
Programmable video games	2,000	–33.3	25
Compact disc players	400	+77.8	N.A.
Projection TV	225	+18.4	N.A.

N.A. Not available.
Note: Shipments are unit sales to dealers.
Source: Electronic Industries Assn., Consumer Electronics Group.
*Sales & Marketing Management.

DIRECT MARKETING

Montgomery Ward slices up its catalogues

Montgomery Ward is embarking on two new marketing steps designed to give the $6 billion retailer an edge.

One move has been to cut the traditional spring and summer catalogue into four mini-books. The company has added more brand names and each mini-book has a specific theme: fashions, furnishing, electronics, or home and lei-

have her own 65-part TV series, which will air immediately after "Masters of the Universe." It will be, as Barad says, the "Mattel Power Hour."

MARKET EXPANSION

Diamonds: men's friends, too

All that glitters is not gold. Diamonds are joining gold chains as status plumage for men.

Between 1980 and 1985, the retail value of men's diamond jewelry sales—$840 million last year—grew by 38%. The male segment accounts for 9% of units sold and 14% of revenues. It is creeping up on women's engagement rings, which bring in 18% of the dollars spent on diamond jewelry.

The moving force in pushing sales to men has been De Beers, London, which controls 80%-85% of the production and distribution of the world's supply of rough diamonds. Six years ago, when the trend was beginning to emerge, the diamond merchants had their advertising agency, N.W. Ayer, conduct a survey to pinpoint the demographics of the market.

The two-year study, done between 1981 and 1983 among 20,000 households, showed that nearly 75% of men's jewelry is purchased by women as gifts and that single men are more apt to buy jewelry for themselves than married men.

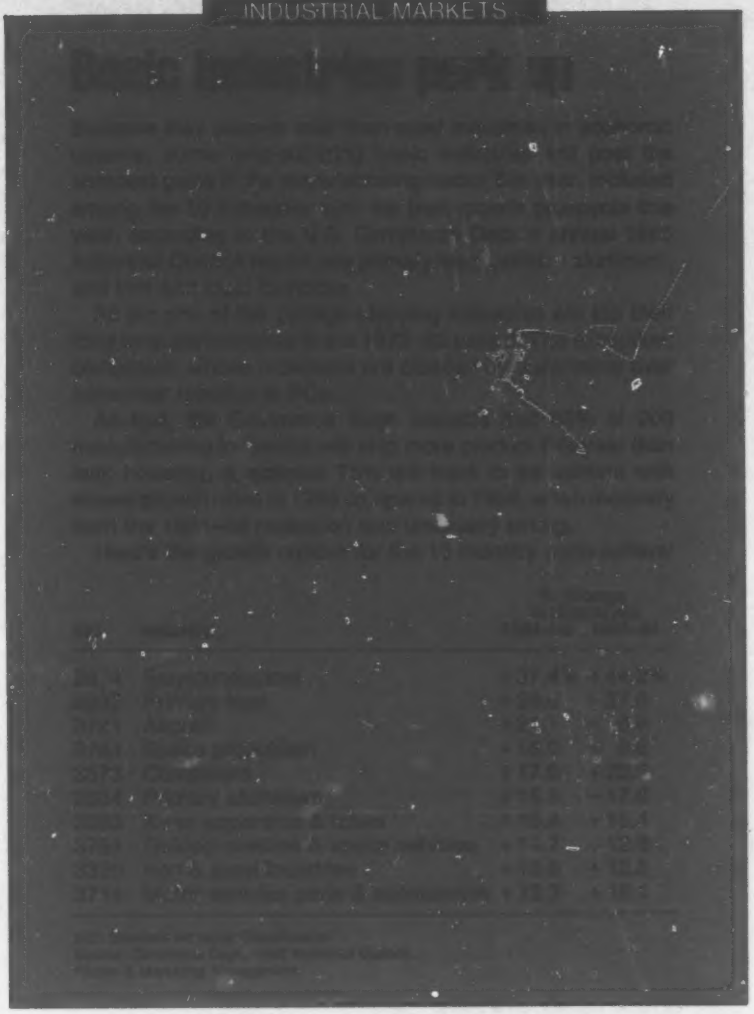
Brand new De Beers ad pitches men's diamonds to women as gifts.

Running with the findings, De Beers spent $2.25 million last year targeting women and young affluent males with advertisements in publications appropriate to the two markets—*Esquire* and *GQ* for men; *House Beautiful* and *Savvy* for women.

This year, De Beers is spending $5.5 million of its $34 million advertising and promotion budget to sell men's jewelry plus another $600,000 for a national cooperative advertising program for dealers.

The highlight of this year's effort is a 63-piece collection of everything from cufflinks to diamond rings that will be pitched to retail stores starting next month.

INDUSTRIAL MARKETS



ADVERTISING

Beer/wine ad fight may open Pandora's box

It started as grass-roots movements in hundreds of cities and towns, and the message has finally reached Congress: something must be done to get drunk drivers off the highways. To the beer and wine industries' chagrin, that something is a vigorous campaign to ban all alcohol-related advertising from radio and TV, just as the lawmakers and

UNDERCOVER RECRUITING

Epson America's sly distributor switch

Aliases. Want ads with phony company names. Secret meeting places. A CIA plot? No—Epson's way of creating a new distributor network.

By ARTHUR BRAGG
Senior Editor

When Gene Kunde, then national sales director for Toro, answered a newspaper want ad seeking a "highly motivated manager . . . with true entrepreneurial spirit," he didn't know that the company that was listed in the ad didn't exist. Nor was he aware that the final destination for his letter was not Chicago, as he thought, but the West Coast. And when Kunde eventually was invited to meet in a hotel room with an interviewer, he had no inkling that the man was using a phony name.

Computer Products Div. chief Jack Whalen: "We treated them fairly."

But is Kunde today resentful that he was the victim of dissembling more often seen in a CIA plot to topple an unfriendly despot? Hardly. After all, he landed the job, and it was a plum, indeed. Along with 11 others hired when he was to be new distributors for computer-marketer Epson America, Kunde, whose distributorship is in Minneapolis, now stands an excellent chance of becoming a millionaire.

Everyone involved in Epson's campaign to build a new distributor team, an effort completed in mid-1982 but still subject to alteration, agrees that it was one of the most bizarre ever, including distributors who were then working for the company and who were all shown to the door one day in July of that year. Epson management's intention was to equip itself with distributors who had solid consumer hard-goods experience. The Torrance, CA, company, which is the U.S. marketing arm of Epson Corp. of Japan, was on the verge of expanding from being a marketer of computer printers only, a role in which it excelled. Due in a year or less were the introductions of its QX-10, an "ultra simple" computer for homes and businesses, and the HX-20, a portable model.

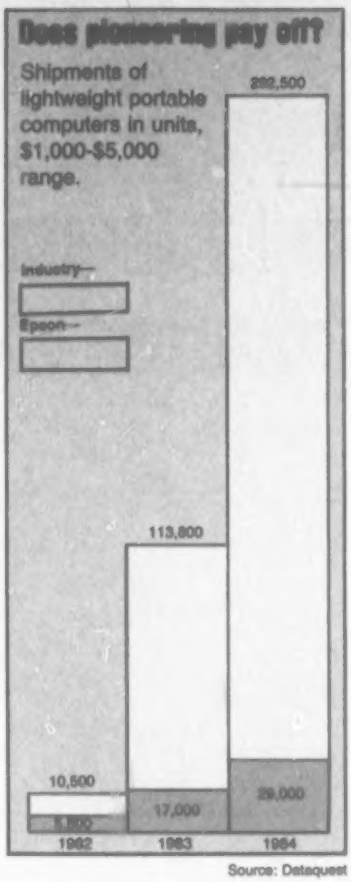
To give its new products the best chance of success, Epson

felt it needed to broaden its distribution to include new kinds of retail outlets, even department stores. The problem Epson faced, notes Jack Whalen, executive vice president and general manager of the company's Computer Products Div., "was endemic in our industry. Our distributors came out of the computer industry. They were not well-trained and they had no consumer experience. They were opportunists." Whalen was told to replace them.

Secret meeting in Vegas

His campaign began immediately—and from its very outset, secrecy was the by-word. Whalen's first requirement was a recruiting company—he now freely admits—to front for him, a practice admittedly not unknown when a company mounts a drive for new blood. His choice, Hergenrather & Co., came easy. It was a well-known Los Angeles operation whose president, Edmund Hergenrather, had almost 30 years' experience in placing sales and marketing people, among others. Whalen knew the company for another reason: It had once found him a job in Chicago.

Whalen met with Hergenrather in a four-hour session in a hotel room in Las Vegas, selected, Hergenrather notes, because it was well away from both men's base of operations. When they parted, Hergenrather knew his mission precisely. He was to find applicants who had two-step distribution experience (factory to distributor, distributor to dealers) in either brown (TVs, stereos, VCRs, etc.) or white (large household appliances) consumer goods. They would not need to know the workings of the computer industry, but they had to be willing and able to set up a distributorship of their own. Each would have to open an office, equip it, and hire personnel, in part with his own money. Also, each would be responsible for building his own dealer network. Equity, Hergenrather notes, was an essential element—no one with equity in his present company would be considered, but he must be agreeable to acquiring equity in his new organization, instead of working for salary alone.



Both men agreed that the best prospects for Epson's needs would be found in distributorships or dealerships of any of the major appliance marketers, such as General Electric or Westinghouse. If the prospect worked for a distributor, his position would have to be marketing vice president or its equivalent. If he was at a factory sales office, he would have to be its manager. To attract the kind of people Epson wanted, defined as "absolute CEO types," Whalen would offer an $80,000 yearly salary plus bonus, $375,000 to help them set up in business (each would be required to add $25,000 of his own), and, Hergenrather notes, "a piece of the action" via the equity. It was decided that want ads in the *Wall Street Journal* and Sunday editions of local newspapers offered the best chance of locating candidates.

Finally, Hergenrather and his staff would present Whalen with the names of 45 individuals, the pick of the lot, from which Whalen would select his new distributors, one for each of the 12 cities where Epson management, as part of its strategy for the new computers, wanted a strong presence. The cities: San Francisco, St. Louis, New York, Chicago, Atlanta, Boston, Dallas, Denver, Detroit, Minneapolis, Philadelphia, and Los Angeles.

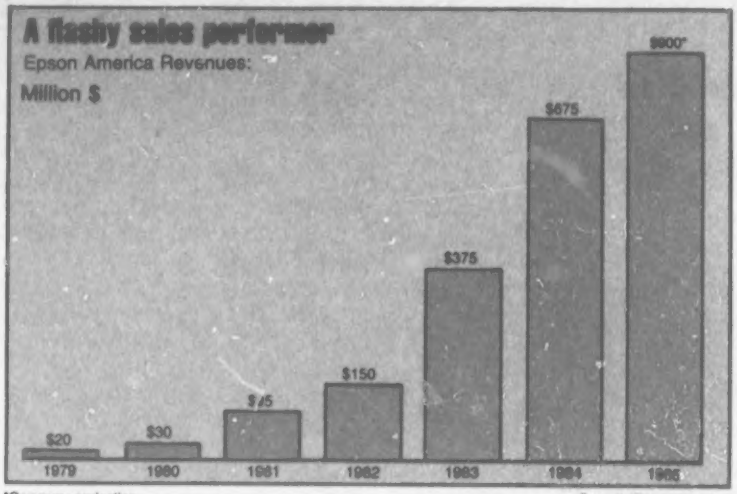
Bad start

No candidate would be told the identity of his prospective employer until late into the recruiting campaign. Says Hergenrather, 67, "In my 30 years, I never had an assignment that required this degree of confidentiality"—or he might have added, one that got off to a worse start.

The want ads pulled almost 1,700 responses, all mailed as per instructions contained in them, to "Stephenson Associates," which called itself "a consulting firm," at an address in an office building on Chicago's North Michigan Ave. In reality, the address was a mail drop only. "Stephenson Associates" stood for Stan Stephenson, a consultant who had just been hired by Hergenrather & Co. and given the job of directing Epson's search.

Each day after the ads had appeared, Stephenson's daughter-in-law visited the Chicago office, which was otherwise vacant, to pick up the replies and dispatch them to him at his office in Los Angeles. Although it was a massive job, considering the volume of mail that arrived, it was virtually all for naught. Only one letter writer—Toro's Kunde—had anything close to all of the requirements Whalen had set down. Says Stephenson, 64, "Maybe 30 others had some criteria. All the other letters were from people who were just looking for a job." Dismayed, Stephenson and a staff of five who worked with him had the bulk of the letters, which had cost $17,000 in ad space to generate, junked. During this time, Epson's "old" distributors were unaware that their days were numbered. They would not learn their fate, in fact, for months.

If qualified people would not come to him, Stephenson decided,



*Company projection
Source: Epson America

he would go to them. In January, 1982, he sent co-workers to the Yellow Pages shelves of the Los Angeles Public Library, where they copied down the telephone numbers of appliance and TV distributors and dealers in 18 cities. Later they called the offices on their lists, asking for the names of the second-in-command or, if a dealership, the manager. When possible, they got additional information from the individuals themselves. Letters were written to those who appeared to be qualified, again using the "Stephenson Associates" name and the Chicago address. Each prospect received a written statement spelling out the job's requirements.

"We would also ask if they knew someone qualified among their competitors," says Hergenrather, who stayed close to the project from its beginnings and, later, conducted personal interviews himself. "We told them that we would be in touch again in three to four days. We didn't want *them* calling Chicago since none of us was ever there." All told, 260 people were contacted and interviews arranged with 75 in their own localities, such as Dallas, where the local zone manager for General Electric had sparked Stephenson's interest.

In the following weeks Stephenson and his staff fanned out across the country—and the search for candidates took on even deeper aspects of the bizarre. Stephenson used his real name at the interviews he conducted, most of them on the East Coast, because he was still himself a new hire at Hergenrather & Co. and hence not yet identified with it by the industry. But Edmund Hergenrather now became "Ed Johnson" and his son, Richard, called himself "Richard Ames."

"Everyone had an alias," Hergenrather recalls. "We would register at a hotel under our assumed names and tell the hotel that. People we interviewed came in and asked for us by the only names they had for us, our aliases. We used the better places—the Hemsley Palace, the Waldorf. We paid the expenses of the people we interviewed. Most were between 45 and 55—although age was not a major factor—and they earned between $60,000 and $100,000. None had equity. We told them that 'We're going to make millionaires of you.' "

The interviewers eventually "came clean" with their candidates, telling them their real names. Hergenrather says that it aided the interviewing process. "We did it because when you are one-on-one with someone, you want him to tell you the truth, too." Epson's name was still withheld, however. Hergenrather insists that all those interviewed accepted the subterfuge. Only once did the elaborateness of the scheme cause it to missfire. In a Washington, DC, hotel (no, not the Watergate) one candidate couldn't find his interviewer because of a mixup in the phony name the latter was using. The man became frustrated and stalked out.

The emphasis from Mar. 15 to Apr. 15, 1982, was on reducing the number of candidates who had passed their intitial interviews in order to be able to give Whalen a list of three to four names for each of his 12 distributor areas. More interviews were set up with candidates the undercover recruiters had already met in person. Meanwhile, Hergenrather says, some candidates were eliminating themselves. "Most of the prospects were intrigued with the opportunities in computers once we announced that that was to be their field. After all, white and brown goods is a cut-throat business and here was a chance to make money in a different industry. But some backed out after talking it over with their wives or attorneys. Still, we only lost a few of our first choices."

The search ends

By Apr. 15, Whalen had his list, and by May had selected, with Stephenson's and Hergenrather's help, 11 executives: Kunde out of the want ad campaign, the others from the search that started with the Yellow Pages. For his twelfth distributor, Whalen named a former partner of his from his days when he was an Epson distributor in Los Angeles. A month later, the new distributors finally met together. Meanwhile, Stephenson had moved over to Epson as a consultant assigned to aid the new people. He eventually was named acting director of sales administration, reporting directly to Whalen (who is currently looking for a full-time national sales manager, duties now handled by Stephenson). Hergenrather & Co. was paid $250,000 for its recruiting effort. In fact, the company's association with Epson continues to be close, and to date it has supplied Epson with 55 managers.

Whalen, who gives his age as "between 50 and 55," summarizes the new distributors' performance for Epson as "outstanding. Our market research validates it. We now consider ourselves in the same league as Apple," he says (see sidebar, page 48). Each distributor handles only Epson products but are permitted to stock other companies'

A blend of Japanese technology and American marketing muscle

Distributors may come and go at Epson America, but the company's revenues go marching onward and upward at a heady rate. Starting out in 1975 as an OEM components and peripherals supplier, it took the company seven years to lift annual revenues to the $150 million level. Last year, the U.S. marketing and distribution arm of Japan-based Epson Corp. more than quadrupled that amount.

Shrewd product positioning, aimed at exploiting two booming sectors of the personal computer (PC) revolution, helped inflate sales. Epson was one of the first marketers of dot-matrix type portable printers, entering the field in 1979. The company also pioneered the notebook-size portable computer in 1982. Dot-matrix printers, according to Datapro Research, the McGraw-Hill subsidiary, will siphon off 75% of the microcomputer printer market by 1988, when the industry will ship some 7 million units vs. only 2.3 million in 1983. And lightweight portable computers, according to researcher Dataquest, will roar from a standing start in 1982 to 12% of PC shipments in 1986 in the $1,000-$5,000 price range.

Epson's gambit to build its reputation first with printers flowed from its intimate familiarity with that technology as well as the awareness of the failure of Japanese companies to crack the U.S. computer market due to the inability to develop software and match the marketing skills of U.S. vendors. The company's printer roots go back to the 1964 Tokyo Olympics when the Seiko Group, Epson Corp.'s parent company, created a special timing device and elec-

software up to 15% of gross billings. Each also has a training manager, backed by Epson's national training teams, to teach retailers how best to sell Epson peripherals, and each has a "fully equipped" service center. The new network is selling on a level the former distributors could never have attained, Hergenrather insists.

Distributors report to one of three regional sales managers in the division's attempts to cover its major markets: home/small businesses, corporate, and educational.

Whalen denies that the old distributors were subjected to a "Saturday Night Massacre." They were given notice of the changeover in July, 90 days before, time enough, he says, "to allow them to prepare themselves." He defends the here-today-gone-tomorrow action in July as a necessity. "We couldn't afford to hiccup in our normal operation." Like Hergenrather and Stephenson, he insists that the secrecy that marked the hunt for the new people was merely "discreetness." And he downplays suggestions that the former distributors reacted badly to their dismissals. "Yes, there was some jawing, but we expected it," he says. "None had a contract with us. We treated them fairly."

Still, no one at Epson will supply a list of its fired disributors, insisting that they are "a dead issue." Actually, most of the dozen or so people who were let go are "dead," forced to quit business when they were jettisoned. The main reason: They depended almost entirely on Epson's business although a majority were handling others' products.

Industry observers agree with Epson management's evaluation that the old crew had not much business acumen, adding that the distributors made handsome profits from Epson sales because the company's printers were "a miracle of their times" and selling them required not much more skill than was required in simply writing out the orders.

One of the distributors who is still in business is hopping mad about his time with Epson and his dismissal. Requesting anonymity, he told S&MM, "Like the others, we made

Recruiter Edmund Hergenrather, alias "Mr. Johnson of Chicago."

tronic printer to tally results of competition there.

The technology learned there sired Epson's first dot-matrix printer, MX-80, unveiled in the U.S. in 1978. In six months, the company captured 60% of the market.

Today, Epson marketers claim that 25% of all microcomputers bear the company's label and another 10%-15% is pumped out by Epson's OEM Div. for other manufacturers. The product line, which generates the bulk of company revenues, embraces seven dot matrix printers, ranging from $399–$1,395, and a $599 printer-plotter.

The decision to go first with printers paid off in more than market share. "As one of the early entrants in the dot matrix sector," says Peter Steiner, vice president and director of electronic printer industry service, Dataquest, "they established a good reputation for a reliable product, excellent marketing and support, and competitive pricing."

Epson took the computer plunge at the 1982 National Computer Conference, unveiling its HX-20, a 4 lb. machine with a 4-line by 20-col. LCD (liquid-crystal display), 16K RAM (random access memory), built-in printer, and microcassette tape drive. Observers didn't know what to make of it: enthusiasts hailed it as a major breakthrough in personal computing; doubters scoffed it was a pricey computerized toy.

The HX-20 hasn't generated the same kind of success MX-80 did. Epson's move was quickly followed by a host of competitors toting bigger displays and memories. As a result, market share, as recorded by Dataquest, dwindled from 52% in 1982 to 15% in 1983 and 10% in 1984.

Epson's George Rasher, product planning manager for portables, seec things differently. He says market share rose from 11%–15% in 1984, helped along by the second-generation Geneva/PX-8, which has a 8 x 40 LCD, 64K RAM, and built-in software. He sees another increase in the cards for 1985.

Epson president Yasuhiro Tsubota stresses "We are an American company with its own strengths backed by a Japanese group of manufacturing companies with their own substantial strengths." In the last year or so, Epson America has been moving to wield more influence over design and production decisions made in Japan.

Two supporting entities were formed last year. Advanced Products Div., Palo Alto, CA, does technical market research and product planning related to the PC, and Ascent Inc., Mountain View, CA, is developing educational and business related software for Epson computers. One likely offshoot: a proprietary LAN (local area network) linking Epson micros (the company also markets two desktops) to each other and to mainframes.

A third hush-hush development, S-MOS Inc., San Jose, CA, pushes Epson deeper into integrated circuit technology research.

Later this year, Epson hopes to start turning out printers in a $10 million plant in Portland, OR. The move is designed to give it longer lead times and closer control over manufacturing operations.

a lot of money with Epson, but unlike maybe 50% of them, we were a solid company. We'll see $150 million sales this year, nationwide. Yes, it's a very sad story. We had Epson products to carry us through at the end, sure, but when they took away the credit lines, it was the end for some. Frankly, they didn't like me. Even hated us. We did things our way. I think back and there was so much bullying. The end was a dirty affair."

Another distributor who survived, Jim Pierce, president of Startronics, Detroit, whose printer line is now supplied by Okidata, Mt. Laurel, NJ, is more forgiving—up to a point. "They wanted tighter control, which is understandable. Mostly, they treated us well—a trip to Japan, for example. We guessed early that the end was coming, but it's all water over the dam. Actually, I like the way their distributors these days work with their dealers. Epson has a wonderful program for its dealers. I only wish Okidata had something like it." Asked, however, if he agrees with Epson that its ex-distributors were poor business people, Pierce bristles. "Ask Jack Whalen," he says, "He was one of us."

The former distributors may get their revenge on at least some of those who replaced them. Despite the success of the new distributors, which has resulted in an estimated fourfold increase in sales, Whalen understandably views his distributor program as "continually evolving." It is also one with a built-in timetable, thanks to those five-year equity demands. As noted before, each distributor is the president of his own corporation, and each shares its board with two Epson executives. Since 1982, each man's contract has called for him to buy, at $1 each, shares in his organization at a rate that ensures that he owns 49% of it by 1987, the fifth year. The contracts allow the distributors to force Epson to buy them out on demand, but, more to the point, Epson, after reviewing their performances, has the right to buy any of them out against their will if need be or extend their relationships with the company via new contracts.

It's expected that Whalen will exercise that right for the first time a year from now. All he will say about what his "continually evolving" philosophy bodes for his people is that "many will be with us" into the final year and beyond. (He does admit, however, that the distributors' "advancing age" is on his mind.)

If you find yourself about a year from now riding in an elevator in one of the better hotels in town and the distinguished man next to you introduces himself as "Mr. Johnson of Chicago" but has the look of someone just off the Red-Eye Express, you could do worse than hand him your resumé.

Sales forces waver on lap-top computers

With a $3,300 average cost, briefcase-sized PCs remain too pricey and underdeveloped for the budgets of most sales organizations.

By THAYER C. TAYLOR
Senior Editor/Management Sciences

Wanted: A major corporation that will equip 1,000 salespeople with lap-top portable computers (PCs).

That's the plea of lap-top marketers who are counting on volume purchases by corporations to ignite a market that has failed to live up to its advance notices. Compared to the glowing predictions painted a year ago, today's consensus on the market for lap-top computers is closer to the sober admission voiced by Pat Fobes, business development manager, Hewlett-Packard's Portable Computer Div., Corvallis, OR, that "the market grew slower than people thought it would in mid-1984. As a result, our 1985 expectations are lower than we originally planned." Although 1984 witnessed some significant advances, such as the 25-line display and IBM compatibility of Data General's DG One and the built-in software, such as Lotus's 1-2-3 spreadsheet, of Hewlett-Packard's 110, "the expectations of potential buyers exceeded the reality of what the machines can do," according to John Leftwich, group marketing director of ACT Computer, a U.K. computer maker that is investing $20 million in Apricot, Inc., Santa Clara, its U.S. distributing arm.

Lap-tops (also dubbed knee-tops and true portables, as distinguished from transportables and luggables that weigh more than 30 lbs.) are a crucial concern to sales and marketing executives because they hold the promise of bringing the benefits of computerization to the field, boosting the productivity of salespeople just as their predecessors, the PCs, have done for office workers and middle management. Equipped with his own computer, the salesperson will tote his office wherever he goes, planning time and territory management more effectively, pulling account information from a data base to prepare himself for a sales call, transmitting orders directly to a central mainframe, eliminating the paperwork of call and travel and entertainment reports, and sending and receiving messages without the hangups of telephone tag—to name just a few possibilities.

A special study by management consultants Booz Allen & Hamilton, New York City, found that "information technology-aided sales calls can be 30% or more productive than conventional sales calls," says consultant Joan Trude. Computerization enables the salesperson to increase the selling portion of his total time from 36% to 50%, she adds, while cutting back time on administrative chores anywhere from 19% to 15% and on servicing from 39% to 25%.

Even so, corporate buyers are still on the sidelines. "They're waiting for the lap-top market to evolve toward more compatibility with desktop PCs," reasons George Colony, president, Forrester Research, Cambridge, MA, "so that salesmen can transfer files back and forth without having to learn different programs." "Sales is the last function to be automated," laments Skip Kendrick, marketing manager, Sharp Electronics, Paramus, NJ, who has made one of the industry's rare mass sales, an order for 100 units by Blue Bell's Wrangler Women's Wear Div. "Companies automate manufacturing first, then the office, before they think of the sales force."

If 1984 failed to live up to expectations, few doubt that the lap-tops will eventually take off, duplicating the meteoric growth of PCs in the early 1980s. "Portables are losing their hi-tech gadgetry image with consumers, who now recognize them as legitimate business tools with distinct utility," says Peter J. Teige, an industry analyst at Data-

Briefcase-size computer to take over portables market

Type	Shipments (000) 1983	1984	1985	1986	Revenues ($ MIL) 1983	1984	1985	1986
Notebook	200	250	300	400	$200	$210	$250	$ 300
Briefcase	5	100	200	500	$ 15	$100	$500	$1,100

Source: Yankee Group.

Functionality equivalent to that of desktops will make buyers opt for briefcase-sized portables. Lower prices, technological advances, and customized portables shape up 1986 as the boom year.

quest in San Jose. "With anticipated advances in technology and lower prices, they'll capture a larger share of the PC market in coming years"—as much as 29% by 1988 vs. 7% last year.

Several factors crimped 1984 sales, including high prices, hard-to-read screens, and lack of compatibility with office desktops.

Vendors charge a price premium for portability. Future Computing senior analyst Mary McKee says lap-top prices averaged $3,300 last year vs. $2,400 for desktops, and while lap-tops are expected to edge down to $2,900 this year, that will still leave them $800 more expensive than the average desktop.

"Our focus group studies show that $3,000 is the cutoff point," reveals Jan Lewis, senior analyst at InfoCorp, Cupertino, CA. "That's why Data General priced their entry-level model at just under $3,000. But by the time you put in the add-ons to make it usable you're talking close to $5,000. People won't spend more for a lap-top than for a desktop."

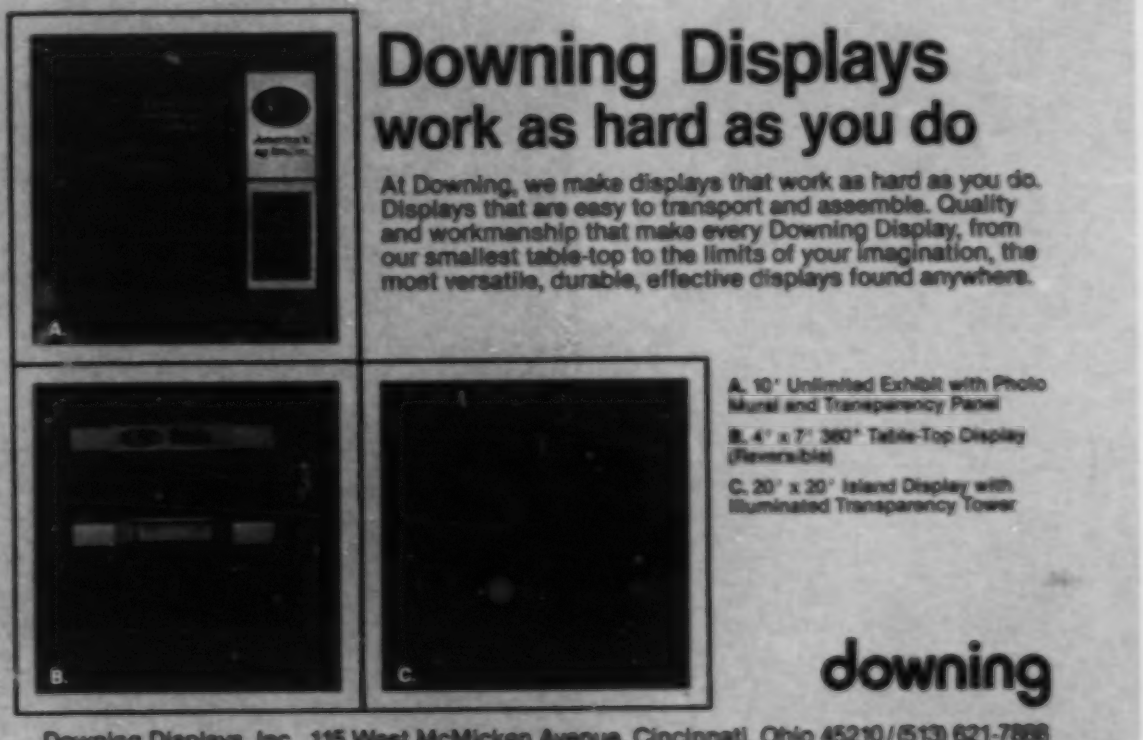
Even $3,000 strikes some as a stiff price for a lap-top. "Most people buy a portable as a second computer," says Jack Karp, vice president, Gartner Group, Stamford, CT, "and $3,000 is a very expensive price for a second computer. The market won't really develop until the price point is under $1,500 and the lap-top has the equivalent

Portables: Three ways to go

Although so-called true portables date back to only 1983, the market has already "matured" to the extent that three segments have surfaced. At the low end are the hand-held versions, which range in price from $80 to $380, usually weigh less than a pound, have a battery life of 50 to 300 hours, contain 2K to 24K of memory, and display one to four lines on their screens. These have very little appeal for salespeople because of their limited capabilities, inadequate memory, and small screens, although they can be used for note-taking on sales calls or communicating with the home office.

A step up from the hand-helds are the notebook-sized versions. Toting prices that range from $599 to $1,595, the units weigh from 3 to 9 lbs., have a battery life of 5 to 120 hours, contain 16K to 320K of memory, and display 4 to 16 lines. Their larger memories permit salespeople to maintain data bases and run some general application software.

At the market's high end, are the briefcase-sized types that have the functionality salespeople can use. Price tags range from $1,500 to more than $3,000, weigh from 6 to 13 lbs., have a battery life of from 4 to 16 hours, memories from 128K to 1 megabyte, and display from 8 to 25 lines.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functionality of an IBM PC."

The liquid-crystal display (LCD) screens, preferred because of their low power consumption, are another critical issue. "Display screens are probably the biggest problem because they're hard to read," says Maureen Fleming, senior analyst, International Resource Development, Norwalk, CT. "The first company to solve that problem will crack the market wide open."

One company, Grid Systems in Mountain View, CA, *has* solved the problem with its electro-luminescent screen on which light-emitting characters can be read easily from any angle. But Grid users pay for the increased readability. Grid's lap-tops, which range in price from $3,500 to $12,000, are the most expensive of the lot.

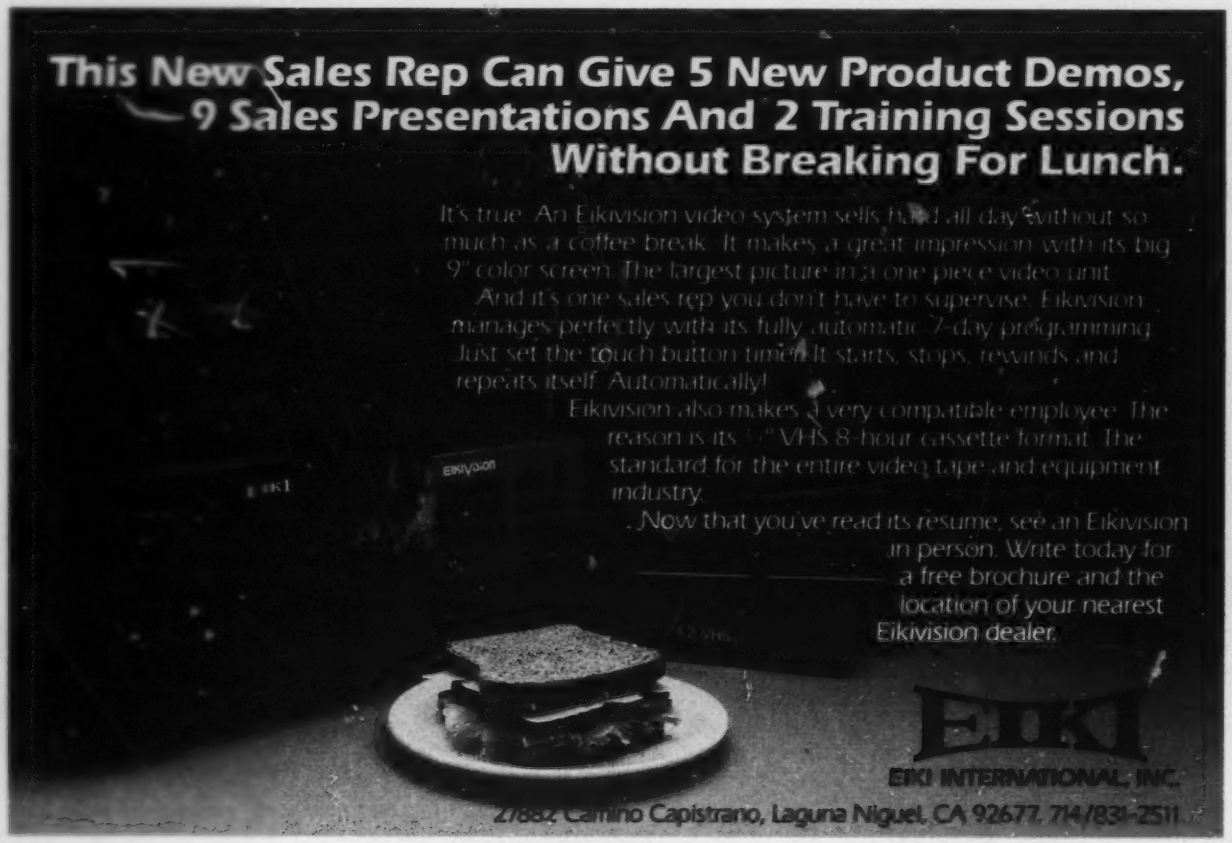
A related issue is the number of lines a screen should display. Up to the time Hewlett-Packard unveiled its 16-line 110 last summer, 8-line machines ruled the market. But a few months later, Data General upped the ante to 25 lines with its DG One and others have followed in its wake, including Apricot, Texas Instruments, STM Electronics, Quadram, Visual Technology, and Sord.

"The number of lines is important because users want to get the same amount of information on a portable as on a desktop," Chris Christiansen, senior analyst, Yankee Group, Boston, points out. "That's especially true for such applications as word processing, spreadsheets, and graphics."

Because users will eventually want to tie their portables to bigger computers, compatibility is attracting greater interest, especially since Data General and Morrow, San Leandro, CA, trumpet the IBM compatibility of their offerings. "The business will trend to lap-tops that are IBM-compatible," contends Barry Berghorn, Morrow's vice president of sales and marketing, "because users will want to link them to the mainframes and PCs they already have."

The portables market will become much more crowded in 1985, with the 20 or so current vendors joined by 10 to 15 newcomers. Among the entrants most often rumored: IBM, AT&T, Wang, and Zenith. The leaders in the transportable sector, Compaq and Kaypro, are also expected to bring out true portables as a defensive move against inroads made into their customer bases.

"IBM's entrance will bless the market," reasons Charles W. Newton, president, Newton-Evans Research, Ellicott City, MD, "and trigger lots of improvements because the other companies will feel more confident there is a market out there even if it means having to buck Big Blue." Among the improvements that will appear this year, according to J.D. Hildebrand, technical editor, *Portable Computer* magazine, are better LCD displays that have greater contrast and are easier to read, greater use of CMOS semiconductor chips that will lower prices, and a much broader selection of machines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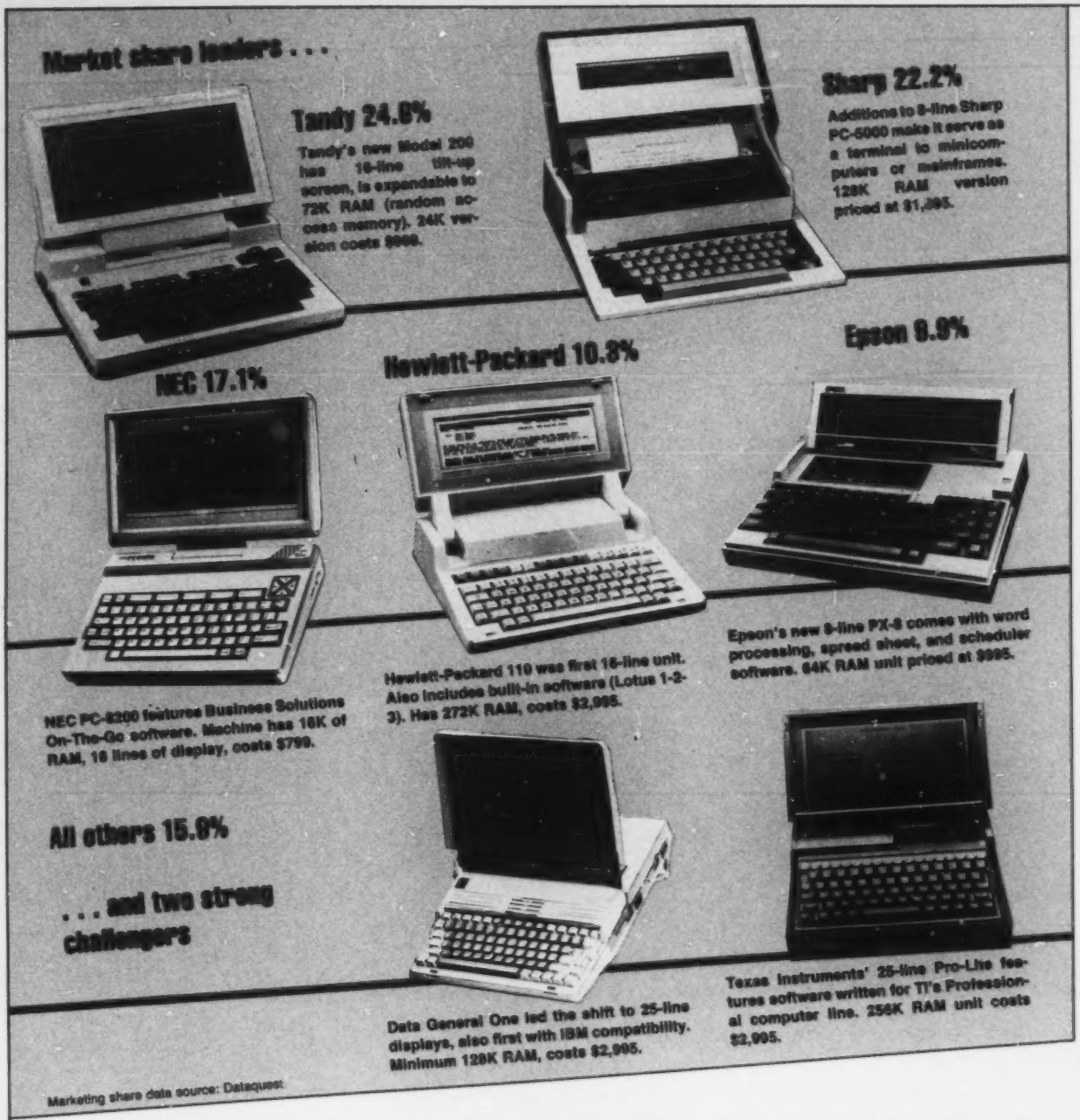
Market share leaders . . .
Tandy 24.8%
Tandy's new Model 200 has 16-line tilt-up screen, is expandable to 72K RAM (random access memory). 24K version costs $699.
Sharp 22.2%
Additions to 8-line Sharp PC-5000 make it serve as a terminal to minicomputers or mainframes. 128K RAM version priced at $1,395.
NEC 17.1%
Hewlett-Packard 10.8%
Epson 9.9%
NEC PC-8200 features Business Solutions On-The-Go software. Machine has 16K of RAM, 16 lines of display, costs $799.
Hewlett-Packard 110 was first 16-line unit. Also includes built-in software (Lotus 1-2-3). Has 272K RAM, costs $2,995.
Epson's new 8-line PX-8 comes with word processing, spread sheet, and scheduler software. 64K RAM unit priced at $995.
All others 15.8%
. . . and two strong challengers
Data General One led the shift to 25-line displays, also first with IBM compatibility. Minimum 128K RAM, costs $2,995.
Texas Instruments' 25-line Pro-Lite features software written for TI's Professional computer line. 256K RAM unit costs $2,995.
Marketing share data source: Dataquest

aimed at specific applications.

Up to now, lap-top marketers' prime sales target has been the so-called mobile professional—people who, as Aaron Goldberg, International Data Corp., Framingham, MA, puts it, "travel a lot, at least once a month, are computerized in the office, and who are willing to carry still another appliance on their way to the airport." The most popular targets: insurance agents, field engineers, accountants, consultants, and auditors.

These prospects, however, buy only one or two units at a time. What marketers hope to snag this year are mass volume sales, with the prime prospect being corporate sales forces.

That may take some doing, though, judging by the results of a survey of 2,000 corporations by Newton-Evans Research. "Only 17% of the Fortune-type companies thought they'd be using portables on a widespread basis," reports president Charles W. Newton.

Stacy Allen, manager of applications marketing, Grid Systems, thinks corporations are beginning to nibble at the idea of adopting portables. "We have a number of them involved in evaluation projects," he says. "There is hesitancy about giving computers to people in the field who have never been exposed to them. One of the major constraints is the hidden costs of training that will be involved."

One reason for such hesitancy is that automating the sales force incurs a lot more than putting portables in the field. "Corporations are looking for complete solutions to the problem of improving sales productivity," says Carey Staton-Smith, product manager in a special

task force at Hewlett Packard called the future portable computer project, and which is conducting several Beta-site tests with major accounts. "Major companies aren't going to go out and buy a thousand portables at a crack until they've been thoroughly evaluated and linked to mainframes or minicomputers. The lead time will be quite significant because of the customization and software development involved."

Major coups ahead

Still, some marketers are optimistic that major coups will be scored this year. Morrow's Barry Berghorn believes "some major corporations will take the step in the April to June period."

Others put such big-bucks deals in a longer time frame. Contending that he has yet to see the system that will answer corporate needs, John Shannon, regional director of marketing, Diebold Group, New York City, argues "it will be another five years before you see entire sales forces using portables and increasing their productivity. Not only will it take a long time to put the pieces in place and train salespeople to use the equipment and communicate with minis or mainframes but there is a considerable education job ahead to convince them that changing their style of selling will have a beneficial effect on their commissions."

Data General's Arun Taneja, product marketing manager of the DG One, thinks competitive pressures on boosting sales productivity will force corporations to move at a quicker pace. "End-users must recognize two things," he says. "First, the earlier they make a decision, the sooner they will realize productivity gains. Second, if they want to wait five years because they know cheaper, jazzier machines are on the way, they have to ask themselves, 'What do I lose by not using the portables today?' and 'Can I compete against the guy who is taking advantage of all that the machine offers?' "

It's a question that lap-top marketers will be raising more and more this year.

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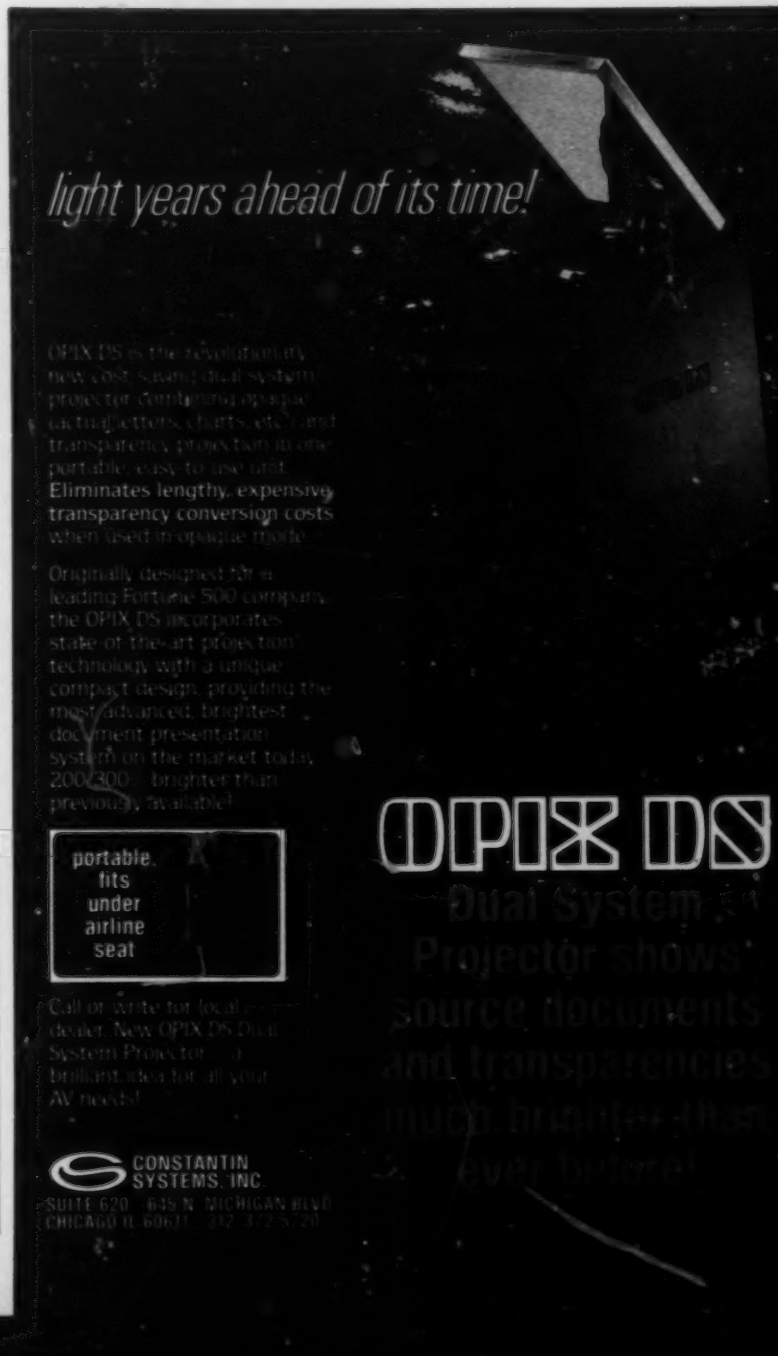
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By THAYER C. TAYLOR

DEC targets the sales department

Development of software specifically oriented to the needs of sales and marketing professionals took a significant turn at last month's annual Office Automation Conference, when Digital Equipment Corp. (DEC), Maynard, MA, the nation's No. 2 computer marketer, unveiled System for Sales and Marketing, a program addition to its All-In-1 software that is an integral part of its office automation strategy. The first major computer vendor to create software specifically for salespeople, DEC enters a field populated exclusively by start-ups and small publishers.

Three modules comprise System: a base module that includes information on account/prospect contacts and account background; a field reporting module, which includes expenses tracking, sales activity, and call reporting; and a lead management module that provides forms for listing and routing sales leads as well as creating sales and marketing reports. Prices for System, which will be available in June, range from $6,600 to $12,650, depending on the configuration of DEC's VAX computers to be used.

Henry Ancona and the menu for DEC's System for Sales and Marketing software. "Record-keeping," he says, "is the salesperson's biggest problem."

Extensive research preceded System's debut. "When we studied where office technology would have the biggest impact," says Henry Ancona, product group manager, Office & Information Systems Group, "it became obvious that the sales department was a prime area, not so much from a cost reduction standpoint as from an increased productivity one."

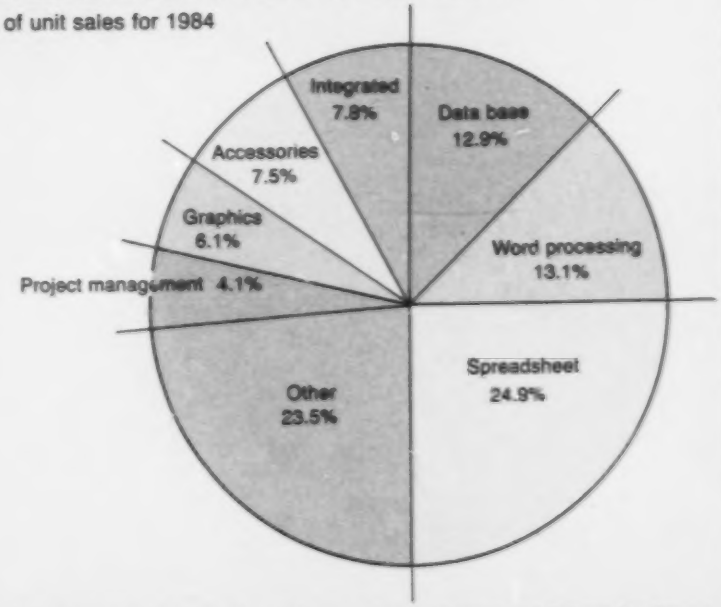
Eighteen months ago, three outside consultants hired by DEC began interviewing more than 150 senior sales executives in 46 Fortune 500 companies "to determine the problems and needs of sales personnel," says Gene Hodges, market development manager. "Our research showed record-keeping to be the salesperson's biggest problem," Ancona adds. Other major needs: Using time more efficiently, providing better reporting and decision support for forecasting and budgeting, and improving information management control.

DEC's System meets head-on the Catch-22 situation sales personnel and their managers are caught in, says Ken Gontarz, program manager. "The manager wants the sales rep to spend all his time making calls. At the same time, he wants the rep to feed him reports he can use when preparing forecasts, which cuts into selling time."

DEC is counting on System's

PC software and the Fortune 1000

% of unit sales for 1984



Spreadsheet packages are far and away the most popular PC-based software bought by Fortune 1000 companies, according to an analysis by Corporate Software, Waltham, MA, which claims to be the largest distributor of such products to those companies. Word processing and data-base management are close together in second and third place, respectively.

mission. Today, McKesson, is one of the largest processors of pharmaceutical insurance claims."

As a result of these computer-based services, Hammer noted, "when a competitor tries to make a sale, the pharmacist thinks of how his ordering system, smaller inventory, floor plan, and insurance checks are all dependent upon McKesson. He looks at the competitor's salesman and tells him. 'Go away, and go away fast.' Then he turns and kisses the hem of the McKesson salesman's robe."

The payoff: McKesson lifted its Drug & Health Care Group sales from $1.6 billion in 1981 to $2.4 billion in 1984.

Hammer thinks McKesson's strategy will be emulated in an expanding circle of industries. "You will see more companies wrap their products in information so as to shield them from competitors," he predicted.

1985 portable shipments—The experts don't agree

Research firms	1985 Shipments (Units in thousands)	% increase over 1984
U.S.		
Yankee Group	500	43%
Future Computing	420	148
World-Wide		
Dataquest	838	187
InfoCorp	1,795	186

Although there's universal agreement 1985 will be an upbeat year for lightweight portable computers, there's a considerable spread in the projections made by leading research houses—which is probably why most clients make it a point to hire the services of more than one researcher. Safety in numbers?

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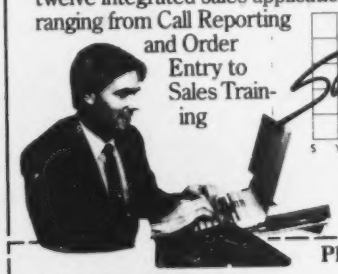

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Getting on top of the data deluge

Marketers are turning to computer-generated graphics to interpret underlying trends that are often obscured by mind-numbing statistical printouts, says Norman H. White, executive vice president of Dialogue, a New York City software outfit.

"In the past, the sheer volume of marketing data prevented most product managers from absorbing more than a fraction of critical information," he argues. "This means little information filters down to the sales force, causing marketing and sales managers to pursue different, sometimes conflicting, product strategies."

Marketers are now replacing voluminous monthly data books with charts and graphs, he contends. "They find that the charts highlight relationships, crystallize complex analysis, and give snap-shot appreciation of trends infinitely better